

TRANSCRIPTION - ORIGINAL FOLLOWS

Problem:

Should the United States at this time, make a long-term commitment to Afghanistan's economic development program?

Discussion:

The question must be answered within the framework of existing policy directives and in a manner which will best serve United States interests. United States policy toward Afghanistan is set forth in National Security Council Document 5900/1 dated August 21, 1959, and in the country Operations Plan dated November 4, 1960, which was developed to implement the policy directives. Pertinent objects from these documents are attached (Tab A). In substance these policy papers conclude that vital United States objectives are best served if Afghanistan remains neutral, independent and not over-committed to the Soviet bloc. The question then resolves itself into the need for a long-term commitment in terms of insuring that these basic policy objectives are achieved.

[paragraph excised]

The precarious political and economic position of Afghanistan has been a matter of concern to the Department for some time. The critical nature of this problem led former Under Secretary Dillon to designate Afghanistan as an "Emergency Action Area" and on September [words illeg] to establish an Afghanistan Policy Group (Tab C) [words illeg] and recommend programs calculated to ensure the achievement of U.S. objectives in

(Transcript prepared by Kennedy Library, 7/1/75, from deteriorated original. Underlining as in the original.)

TO : Mr. Hall

THROUGH : S/S

FROM : LCA - GI Lewis Jones

SUBJECT: Long-Term Commitment to Afghanistan's Economic Development Program

Problem:

Should the United States at this time, take a long-term commitment to Afghanistan's economic development program?

Discussion:

The question must be answered within the framework of existing policy directives and in a manner which will best serve United States interests. United States policy toward Afghanistan is set forth in National Security Council Document 2909/1 dated August 21, 1950, and in the Country Operations Plan dated November 4, 1960, which was developed to implement the policy directives. Pertinent extracts from these documents are attached (Tab A). In substance these policy papers conclude that vital United States objectives are best served if Afghanistan remains neutral, independent and not overcommitted to the Soviet bloc. The question then resolves itself into the need for a long-term commitment in order of ensuring that these basic policy objectives are achieved.

The precarious political and economic position of Afghanistan has been a matter of concern to the Department for some time. The critical nature of this problem led former Under Secretary Dillon to designate Afghanistan as an "Emergency Action Area" and to initiate a series of studies, which culminated in the "Emergency Action Program" (Tab C). This program and recommended programs calculated to ensure achievement of U.S. objectives in

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Afghanistan. Various programs recommended by this group have been adopted, including the recent long-term commitment of \$16.9 million to aid Afghan education over a five-year period.

The Afghan Government has shown willingness and indeed eagerness to have the United States maintain its presence and influence in Afghanistan. [Words excised] It has repeatedly requested assurances that the U.S. is prepared to make a commitment to its Second Five-Year Plan. The need for such assurances is as much psychological as it is material. Afghan officials believe they must develop their country rapidly.
[Words excised]

They
welcome United States aid [words excised]
It is neither contemplated nor proposed that the U.S. should enter into direct competition with the USSR on a dollar basis but it is the considered opinion of our Embassy in Kabul and of NEA that if the United States does not participate substantially in the Afghan Second Five-Year Plan, the USSR will monopolize the Plan and, in time, obtain a strangle-hold on the Afghan economy which at a later date the United States may find impossible to lessen.

To gain maximum impact, the decision for U.S. long-term participation in the Second Five-Year Plan must be made at this time because the Plan is already in advanced stages of preparation. It is to go into effect in September 1961. We cannot wait for new legislation on this subject without serious risk that the Afghans will by then have over-committed themselves to the Soviets.

It would appear to be an imperative of United States policy objectives in Afghanistan for us to associate ourselves, to the greatest extent possible, with Afghanistan's resolve to develop its resources speedily. This can be done only by giving assurances of long-term financial support and, where appropriate, advice and assistance to the Afghan Second Five-Year Plan. In this connection, factors bearing on the extension of long-term assistance to Afghanistan are:

1. It would make it possible for the Afghans to plan more realistically and intelligently in the allocation of their scarce resources. In this regard, the Ford Foundation has indicated an interest in taking part in assisting the Afghans in their planning process.

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It is neither contemplated nor proposed that the U.S. should enter into direct competition with the USSR on a dollar for dollar basis but it is the considered opinion of our Embassy in Kabul and of NSA that if the United States does not participate substantially in the Afghan Second Five-Year Plan, the USSR will monopolize the Plan and, in time, obtain a strategic hold on the Afghan economy which at a later date the United States may find impossible to lessen.

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1. It would make it possible for the Afghans to plan more realistically and intelligently in the allocation of their scarce resources. In this regard, the Ford Foundation has indicated an interest in taking part in assisting the Afghans in their planning process.

2. It would enable the United States to enter into the planning process with the Afghans, thus ensuring a better plan and reserving for U.S. financing those projects with serious political and economic impact.

3. It would place U.S. aid on a basis comparable to Soviet aid. The Soviets have very successfully used the device of extending a long-term line of credit and later negotiating individual projects within the financial confines of the long-term commitment.

4. Since the US is already "morally committed" to complete many projects now under way, these could form part of a new over-all commitment with an additional amount for new projects in order to provide for US participation in the Five-Year Plan. Tab D shows a tentative projected composition of a proposed long-term commitment.

5. The US has pressed other nations to offer long-term commitments to Afghanistan. At our urging, the Federal Republic of Germany has publicly associated itself with the Afghan Plan and has privately indicated that it is willing to provide up to \$40 million for this purpose. If the US is unwilling to make a similar commitment, we find ourselves in the awkward position of rejecting advice we ourselves have proffered to other nations.

6. Stabilizing the political situation in Afghanistan and thwarting new Soviet encroachments is important from the standpoint of regional security.

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[lines excised]

and we would remind the Pakistanis of the advantages which a stable, neutral Afghanistan would bring to Pakistan. The certainty of U.S. association with Pakistan's development program is further understood by other commitments such as those associated with the Indus Waters settlement. Nevertheless if it should become apparent in the future that Pakistan, too, requires further long-term commitments, NEA would be willing to recommend them. The larger question of the effects on other underdeveloped countries is important, but must be considered in the light of future overall US aid policy. The Afghan need is peculiarly urgent, and is made more immediate by the force of events in Afghanistan.

The second possible objection to a long-term commitment hinges on the ability of the United States to carry out its obligations under an expanded program. Even recognizing the complicated legal and other procedures made necessary by Congressional requirements, the need for technical studies of recruitment and supply for such a remote area of the world, we believe that with determination and the willing application of the many talents of our aid organizations, the US can fulfill most if not all of the obligations assumed under a long-term commitment, without detriment to the beneficial political results accruing from assurances of long-term aid.

The third possible objection is based on an a priori judgement of the estimated absorptive capacity of the Afghan economy. There is room for a legitimate difference of opinion on this subject but the view of the Embassy, concurred in by NEA, is that absorptive capacity, be it high or low, is an added safe-guard which, when added to the procedural and technical requirements for individual project approval, will ensure that US assistance funds are used economically and at an effective pace. Indeed, a major component of US assistance to Afghanistan is concentrated in the training field in order to increase the absorptive capacity of Afghanistan.

Note: NEA has prepared a memorandum to accompany this submission which outlines in detail objections to a long-term

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commitment from the operational viewpoint. NEA believes, however, that these, too, must be considered within the overall political need for a long-term commitment.

Recommendations:

It is recommended, in the light of the foregoing, that you authorize the preparation and submission of a determination under NSC Action No. 1550 along the lines outlined in this memorandum for further consideration and approval.

Approved

Disapproved

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Approved _____

Disapproved _____

Conclusions:

- Mr. Ball

Attachments:

- Tab A - Excerpts from Pertinent Policy Documents
- Tab B - Dubtel No. 4 of July 3, 1960
- Tab C - Memorandum to the Under Secretary dated September 18, 1959: U.S. Action to Counter Soviet Penetration of Afghanistan
- Tab D - Financial Implications of Proposed Long-term Commitment

[Drafters line unreadable. Drafted in NEA in 1961.]

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